

**Introduced by Senator Steinberg
(Coauthor: Senator Hancock)**

February 8, 2010

An act to add Section 88560 to the Education Code, relating to taxation.

LEGISLATIVE COUNSEL'S DIGEST

SB 974, as introduced, Steinberg. Income tax: credit: career pathways investment credit.

The Personal Income Tax Law and Corporation Tax Law authorize various credits against the taxes imposed by those laws.

This bill would find and declare that the deep economic recession in California requires strategic investments to educate and prepare the workforce to fuel the next state of economic growth. This bill would find and declare that if the dropout crisis is left unchecked, the rate of middle and high school dropouts will increase. This bill would state the intent of the Legislature to enact legislation to ensure that the state's tax expenditure investments are rigorously evaluated and to establish fiscal incentives, such as tax credits, that encourage California businesses to enter into partnerships with schools to strengthen education and develop career skills.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 88560 is added to the Education Code,
- 2 to read:
- 3 88560. (a) The Legislature finds and declares the following:

1 (1) The deep economic recession that has gripped California
2 requires a timely response and strategic investments to educate
3 and prepare the workforce that will help fuel the next stage of the
4 state's economic growth.

5 (2) The swift recovery of the California economy faces an
6 obstacle in the high numbers of young people dropping out of the
7 state's middle and high schools. Longitudinal data show that fewer
8 than 70 percent of 9th graders in California graduate from high
9 school in four years. According to the State Department of
10 Education, some 85,000 middle and high school pupils are
11 abandoning secondary schools annually.

12 (3) If the dropout crisis is left unchecked, demographic trends
13 suggest that the rate of future dropouts will increase. The Public
14 Policy Institute of California predicts there will be twice as many
15 high school dropouts in California in 2025 as there will be jobs to
16 support them.

17 (4) According to a 2007 study by the California Dropout
18 Research Project, each cohort of dropouts costs California more
19 than \$46 billion in total economic losses over the lifetimes of those
20 dropouts.

21 (5) The fastest growing occupations in the coming years are
22 expected to be those that require scientific, technical, engineering,
23 or math (STEM) skills, such as jobs in biotechnology, digital media
24 arts, green technology, or computer-related and health-related
25 fields.

26 (6) A 2006 poll of at-risk California 9th and 10th graders by
27 Peter D. Hart Research Associates found that six in 10 pupils were
28 not motivated to succeed in school. Of those pupils, more than 90
29 percent said they would be more engaged in their education if
30 classes helped them acquire skills and knowledge relevant to future
31 careers.

32 (7) Comprehensive programs that link challenging academics
33 with demanding career and technical education create engaging
34 pathways to further education, advanced training, and productive
35 jobs in high opportunity careers. They keep students on track to a
36 diploma, postsecondary credentials, and lasting career success.

37 (8) New research from the Public Policy Institute of California
38 suggests that the state's enterprise zone tax credit program has not
39 significantly increased job creation or the employment of
40 hard-to-hire individuals, as was intended. Two aspects of the

1 program that were poorly designed and have produced an especially
2 poor return on investment, Targeted Employment Areas (TEA)
3 and retroactive vouchering, should be phased out in favor of fiscal
4 incentives that enhance workforce development for the jobs of the
5 future and that have a beneficial impact on high school graduation
6 rates.

7 (b) It is the intent of the Legislature to do the following:

8 (1) Evaluate the state's tax expenditure investments as rigorously
9 as it evaluates the state's spending programs.

10 (2) Establish fiscal incentives, such as tax credits, that encourage
11 California businesses and industry to enter into partnerships with
12 schools that strengthen middle and high school education statewide.
13 These partnerships will connect students and teachers to real-world
14 experience that provides sustained exposure to applied academics,
15 skill development, work-related education, and potential future
16 employers. This experience will keep students engaged and on
17 track to graduation, further education, and productive careers.

18 (c) As used in this section, "tax expenditure" means a credit,
19 deduction, exclusion, exemption, or any other tax benefit as may
20 be provided for by state law.